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TAGS: [PREL](#) [PHUM](#) [PGOV](#) [PINR](#) [SOCI](#) [ECON](#) [KN](#) [KS](#)
SUBJECT: TRIPLE-DIGIT INFLATION IN PYONGYANG, BRITS SAY

Classified By: POL M/C James L. Wayman. Reasons 1.4 (b/d).

Summary and Comment

11. (C) A veteran British North Korea-Watcher just back from a TDY stint at the UK Embassy in Pyongyang asserted that inflation appeared to be running in the triple-digits. The impact of that inflation was clear: there are few goods to buy. Canned goods have "basically disappeared," our interlocutor related, agreeing with the observation that North Koreans in the capital appeared to be hoarding any kind of canned food. As of January 8, there was still no official exchange rate for the new North Korean Won against any major foreign currency, including the Euro. Comment: Our UK colleague's information tracks with what we have heard from the NGO community here and other foreign diplomats who have recently visited North Korea, including the Hungarian ambassador. End summary and comment.

Issue Number One: Inflation

12. (SBU) During a January 13th discussion with a small group of Western diplomats, FCO Research Analyst Mike Cowin provided details on several worrisome developments inside North Korea. Cowin, a veteran DPRK-Watcher in the FCO's North Asia/Pacific Research Group, just returned from a month-long TDY assignment at the British Embassy in Pyongyang.

13. (C) According to Cowin, there appeared to be little economic activity and few goods available for purchase after January 1. Prior to that, he said, shops catering to foreigners were crammed with North Koreans spending hard currency on everything from refrigerators to Japanese beer. After January 1, the few shops that were open -- and had goods on the shelves -- had prices marked in new North Korean Won (NKW). Inflation appeared to be running in the triple digits during the first week of January. He explained that, for example, common household items that had cost 2,000 old NKW as of December 31 were priced in early January at 70 new NKW (the official equivalent of 7,000 old NKW).

Issue Number Two: Hoarding

14. (SBU) The impact of inflation, Cowin said, was clear: there are few goods to buy. The small number of markets that were open were selling only perishable items (like milk products and vegetables) along with rice and dried fish. He described a market in Pyongyang that on prior visits offered twenty aisles of goods. On this visit, the market had only two aisles. Canned goods "basically disappeared," Cowin related, agreeing with the observation of a colleague that people in the capital appeared to be hoarding any kind of

canned food.

Issue Number Three: Still No Exchange Rate

15. (SBU) Cowin noted that as of January 8, the day he left Pyongyang, there was still no official exchange rate for the new NKW against any major foreign currency, including the Euro. Cowin related that when he ate breakfast at a hotel near the UK embassy, the staff were not permitted to accept payment in Euros, but were also not authorized to exchange money, as there was no official exchange rate. In the end they asked him to leave them an IOU for the price of the breakfast. Some Western diplomats in Pyongyang had managed to change money, but the rates had varied wildly, from a low of 30 new NKW/Euro in one location to a high of 140 new NKW/Euro in another.

STEPHENS